UNITED NATIONS

TD

United Nations Conference on Trade and Development

Distr.
GENERAL

TD/B/COM.2/30
9 January 2001

Original : ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Investment, Technology
and Related Financial Issues
Fifth session
Geneva, 12-16 February 2001
Agenda item 4

HOME COUNTRY MEASURES

Note by the secretariat

1. The Expert Meeting on Home Country Measures was held in Geneva from 8 to 10 November 2000. Experts had a broad discussion on home country measures (HCMs), i.e. measures taken by home countries of firms that choose to invest abroad designed to encourage foreign direct investment (FDI) flows to other countries. The discussion focused on the HCMs identified in the note by the secretariat (TD/B/COM.2/EM.8/2): information provision, technical assistance and capacity-building measures, financial, fiscal and insurance measures, investment-related trade measures and measures related to the transfer of technology.

2. The discussion confirmed that the issue of outward investment and technology transfer promotion has grown beyond the traditional North-South divide, with a number of developing countries actively pursuing such policies. It also confirmed that the pursuance of best practices in this area should involve all actors engaged in this debate, including home and host country government and private sector institutions.

GE.01- 50029

3. The main outcome of the Expert Meeting is presented in document TD/B/COM.2/EM.8/L.1. It provides a common definition and rationale for HCMs, and contains a list of best practices, including a reference to the role of international arrangements, as well as possible improvements in this regard. In addition, it acknowledges the importance of effective implementation of international commitments relating to technology transfer by both host and home countries. The document concludes with recommendations for both home and host countries and possible future areas of work for UNCTAD. The key issues and policy proposals by experts are summarized in the present note for consideration by the Commission.

4. As far as policy proposals are concerned, the outcome provides for:

(a) *A common definition and rationale* (paragraph 3(a) and (b))

HCMs are all policy measures that are taken by the home countries of firms that choose to invest abroad designed to encourage FDI flows to other countries. They are applied for a number of reasons, including home and host country objectives. The variety of their objectives requires that their design and application be adaptable and flexible, as "no one size fits all".

(b) *Best practices in the area of HCMs to be emulated, where appropriate, and applied in a cooperative spirit. International arrangements can, and in some areas already do, provide a framework* (paragraph 3(d), last sentence)

On the basis of the deliberations on expert submissions, experts identified a number of best practices in the application of HCMs (such as providing accurate, up-to-date and high-quality information; instituting regular home-host country exchanges; promoting creative mechanisms to overcome cultural and linguistic gaps; using interregional exchange forums; providing financial assistance and investment insurance; and agreements on investment protection and double taxation, market access and technology transfer, including support for host countries' absorptive capacity) that would increase their effectiveness. International arrangements also can and do play a role in increasing their efficiency by providing a framework for their cooperative implementation.

(c) *Home countries, including their private sector, to develop further their efforts to encourage FDI flows, particularly to and between developing countries, and especially to the least developed countries* (paragraph 4)

Home country Governments are invited to take into account the best practices and possible improvements in the area of HCMs when applying, designing and/or redesigning HCMs. In this

context, it is not only recommended that best practices "ought to be emulated", but also acknowledged that international arrangements can and do play a role. Specifically, the "effective implementation of international commitments relating to technology and its transfer, including the Agreement on Trade-related Aspects of Intellectual Property Rights (the TRIPS Agreement), by host and home countries" is referred to as a possible improvement in the application of HCMs related to the transfer of technology.

(d) *Host countries, including their private sectors, to take advantage of the opportunities arising from HCMs and to actively seek to develop linkages between their own inward investment promotion efforts and HCMs offered by home countries* (paragraph 5).

Best practices and possible improvements in the area of HCMs also apply to their indirect beneficiaries, i.e. host countries and their private sector. It is noted that host countries undertake a number of measures to promote inward FDI (and transfer of technology) and that the target group of both sets of measures (i.e. foreign investors) is identical; and it is recommended that host country FDI promotion institutions work closely with home country institutions that administer HCMs. In this context, the important role of the World Association of Investment Promotion Agencies (WAIPA) in facilitating investment flows was acknowledged and a number of activities to be undertaken by the UNCTAD secretariat to support efforts by developing countries in this regard were proposed, including the provision of a "signposting" service with regard to relevant home country reference sources on outward investment promotion.

(e) *Intergovernmental deliberations on what measures Governments had taken to implement the provisions of international agreements on transfer of technology* (paragraph 7).

The issue of technology transfer is an area of particular concern that warrants further research and intergovernmental deliberations. How existing provisions in international agreements intended to encourage the transfer of technology can be made operative more effectively than has been done so far is central to such deliberations.

5. Considering the emphasis placed by experts on the international dimension for providing a framework for the cooperative implementation of HCMs, the Commission on Investment, Technology and Related Financial Issues may consider, at its fifth session, the outcome of the Expert Meeting from the viewpoint of the overall context of international agreements provided by the closing sentence of paragraph 3(d) ("International arrangements can ... provide a framework [for best practices] in some areas") and by paragraph 3(e)(vii) ("effective implementation of international commitments relating to technology and its transfer ... by home and host countries [could contribute to increased effectiveness of HCMs]").